

January 3, 2002

The Honorable Stephen Koplan  
Chairman  
United States International  
Trade Commission  
500 E Street, S.W.  
Washington, DC 20436

Dear Chairman Koplan:

Thank you for transmitting the U.S. International Trade Commission (Commission) report to the President under section 202(f) of the Trade Act of 1974 (Trade Act), 22 U.S.C. § 2252(f), concerning its investigation of steel (ITC Report) on December 19, 2001. Thank you as well for subsequently issuing a public version of the ITC Report: Steel, Inv. No. TA-201-73, USITC Pub. 3479 (December 2001).

As you are aware, this is the largest and most complex Section 201 proceeding ever undertaken, involving 33 subcategories of steel products. You and the ITC staff have undertaken much work in a relatively brief time. Of course, a proceeding of this magnitude requires the most careful consideration. As I know you and your colleagues will appreciate, it is crucial that the Administration have at its disposal all of the information necessary to make a decision under section 203 of the Trade Act that fully takes account of domestic economic considerations and U.S. international obligations.

Therefore, under authority delegated by the President, I respectfully request that the Commission provide the following additional information pursuant to section 203(a)(5) of the Trade Act:

1. Unforeseen developments

For each affirmative determination under section 202(b)(1) of the Trade Act (affirmative determination) or determination under such section that the President, pursuant to section 330(d)(1) of the Tariff Act of 1930, 19 U.S.C. § 1330(d)(1), may consider to be an affirmative determination (equally divided determination), could you please identify any unforeseen developments that led to the relevant steel products being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof?

2. Economic analysis of remedy options

a. In the ITC's Section 201 investigation, several parties provided econometric models that purported to measure the relationship between imports and the condition of the domestic industry. The Commission indicated on page 61 of the ITC Report that these models had "serious limitations." Could you please

identify such limitations, including limitations with respect to assumptions or data used in such models regarding supply, demand, pricing or other economic factors?

- b. Could you please (1) provide any available documentation on the economic models traditionally employed by the Commission; and (2) identify the modifications made to the models to take into account the market linkages among the different types of imported certain carbon flat-rolled steel?
  - c. Could you please (1) identify and provide the economic models used to evaluate the effects of the remedy recommendations or proposed remedies of the Commission or of individual Commissioners; and (2) identify the assumptions and data regarding supply, demand, pricing and other economic factors used in such models?
  - d. The explanation of the Commission's remedy recommendations refers to economic analyses that indicate how a particular remedy will affect a domestic industry's sales revenues and sales volumes and what other effects it will have, including costs to consumers. (*E.g.*, ITC Report at 380, 409-410, 418.) For each remedy recommended by the Commission or by any Commissioner, could you please provide the results of these analyses, including information on how the recommended remedy will affect industry sales revenues, sales volumes, and prices, as well as the costs to consumers?
  - e. For each remedy recommendation, could you please provide any additional information compiled or produced by the Commission regarding the effects of a higher or lower tariff, tariff-rate quota, or quantitative restriction, as the case may be?
  - f. For each remedy proposed by an interested party, could you please provide any information compiled or produced by the Commission on how it would affect the domestic industry's sales revenues and sales volumes, costs to consumers, and other effects it would have, including any effects referenced on pages 380, 409-410, and 418 of the ITC Report?
  - g. Could you please provide a copy of any memoranda cited in the ITC Report that you are not otherwise providing in response to items a through f?
3. Potential exclusions from safeguard actions under Section 201
- a. Section 312(a) of the NAFTA Implementation Act requires the President to make a determination as to whether imports from Canada or Mexico account for a substantial share of total imports or contribute importantly to the serious injury, or threat thereof, found by the ITC. In the event that the President decides that

conditions require the exclusion of both Canada and Mexico from the following determinations or equally divided determinations, could you please report on whether increased imports of the following products from all sources other than Canada and Mexico are a substantial cause of serious injury or threat of serious injury, as those terms are interpreted under sections 201-204 of the Trade Act, to the domestic industries, as such industries were defined by the individual Commissioners:

- i. Certain carbon flat-rolled steel (carbon and alloy slabs, plate, hot-rolled steel, cold-rolled steel, and coated steel);
  - ii. Carbon and alloy hot bar;
  - iii. Carbon and alloy cold bar;
  - iv. Carbon and alloy fittings;
  - v. Stainless steel bar;
  - vi. Stainless steel fittings; and
  - vii. Welded tubular products other than OCTG.
- b. With regard to items iv and vi of paragraph b, could you please indicate whether the conclusion would be different if (i) only Mexico were excluded and (ii) only Canada were excluded?
- c. Section 403 of the Trade and Tariff Act of 1984, 19 U.S.C. § 2112, note, and section 221 of the United States-Jordan Free Trade Area Implementation Act authorize the President to exclude imports from Israel and Jordan, respectively, from any safeguard action under Section 201. For each affirmative determination, equally divided determination, and response to items a and b, could you please indicate whether exclusion of imports from Israel and Jordan would change the conclusions of the Commission or of individual Commissioners?
- d. With regard to Commissioner Bragg's affirmative determinations on carbon and alloy flat products, stainless and tool steel flat and long products, and stainless steel wire products, in each instance where she found that exclusion of Mexico or Canada from the analysis does not change the recommended findings, could you please indicate the basis for that conclusion?

As you know, given the difficult circumstances facing the U.S. steel industry, it is important to receive this information as expeditiously as possible to enable the President to reach a decision

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on how to respond to the Commission's recommendations. We of course greatly appreciate the extraordinary work already undertaken by the Commission and its staff and, therefore, thank you in advance for seeking to handle these additional requests with dispatch. Thank you for your prompt attention to this matter.

Sincerely,

Robert B. Zoellick